

nation can impose upon the people, the income tax is the worst."

"You agree with Gladstone in that?" interjected Chairman Payne.

"I do," the steel magnate replied.

"So do I," said the chairman.

"If you want to do harm with money give it away to those people who will not struggle for themselves," was one of the numerous epigrams brightening Mr. Carnegie's unique testimony.

"That applies to the tariff on steel," he added. "I think the man who can make three or four dollars more profit than a lazy, inert corporation management should be allowed to make that profit—for his country's good," was an opinion expressed by Mr. Carnegie, when being questioned with regard to what he considered a reasonable profit.

Dealing largely in generalities, Mr. Carnegie said he wanted it understood that his statement represented his opinion solely. He said that he came before the committee because summoned and that he gave his testimony because he thought it his duty as an American citizen. "I did not volunteer it," he said.

Pressed with questions from all sides Mr. Carnegie arose from his seat and dramatically declared that "he was a protectionist."

"I desire," he said, "to furnish to the consumer a cheaper supply and a more regular supply than he could get abroad, and, if after forty years' experience, we can not develop steel with that condition, our protective policy in that instance would have been a failure instead of the triumphant success it has become." Pointing his finger at the committee and raising his voice to its highest pitch he declared that the steel industry was now in the position where it can say: "Take your protection. We are now men and we can beat the world in the manufacture of steel. There is no reason for the tariff on steel," he again emphasized. "You should not coddle the industry with protection."

A recess at this point was ordered, Mr. Carnegie inquiring if the committee was through with him.

"No," came in a chorus of voices.

"This is cruel," remarked the steel magnate as he retired from the room.

"His solicitude for his weaker brethren is sublime," said Mr. Carnegie, referring to Judge Gary's contention that the smaller steel manufacturers could not stand for the abolition of the duty on steel.

Mr. Carnegie said the manufacturers of Wales could make a ton of tin plate a shade cheaper than it could be made here, and that the cost of manufacturing steel is greater in Great Britain than here. He said the committee should send experts familiar with the steel industry to the large mills of Europe to study the question of comparative cost of labor.

"It is a condition and not a theory that concerns the committee at this time," said Representative Longworth in reply. "It is understood that the president-elect will call a special session of congress for the purpose of enacting a tariff bill, and we must prepare a bill for them to pass on. We have no time to send experts to Europe. What I want to know is what authority the side testimony given by you and Judge Gary, whom I don't think went as far as you do, have for taking the duty off of steel?"

Mr. Carnegie pointed out that there is practically no foreign-made steel imported into this country.

"Do you know of any combination to fix the price of tin plate internationally?" asked Mr. Hill.

"No."

"Do you know of any combination to fix the price of wire nails?"

"No," Mr. Carnegie replied. "I am not so positive about the existence of a combination to fix the price of steel rails. In fact I am without knowledge of any combination of any kind."

Mr. Carnegie told the committee it must not base its conclusions on the comparison of the cost of labor in this country and abroad as furnished them by witnesses. "If it takes two men in Great Britain to turn out as much steel as it takes one man here with our modern appliances, the difference would not be so great," was his argument. "The cost of producing rails at Gary won't be half as much as in England, notwithstanding the cheaper cost of labor abroad."

Representative Gaines was desirous of obtaining Mr. Carnegie's views as to the needs of the tariff for the small manufacturer of steel. Mr. Carnegie explained that there were no small manufacturers of steel products, but Mr. Gaines

persisted that there were small manufacturers who make some special articles from steel.

"I don't know any small manufacturer who makes just one article of steel, and I would not regard him. I would think he had not managed well," said Mr. Carnegie.

Mr. Gaines wanted to know if it was not impossible for a man to go into the steel business to manufacture a specialty or if it would be if there was no tariff to protect him.

"There is always room for the enterprising man to make a specialty, and besides, he gets a high price for his article," was Mr. Carnegie's comment. "The man who would go into the general steel business without the proper capital is a man you would not concern yourself about. Things that are used by the thousands can not be made now except on a large scale."

Mr. Carnegie further admitted that the time for the smaller manufacturer of steel is past, except for the man making a special article.

Mr. Carnegie concluded his testimony shortly before 6 o'clock, and was about to leave when Alfred O. Crozier of Wilmington, Del., asked permission to be heard. He also asked Mr. Carnegie to remain and hear his remarks, explaining that they would be in the nature of a criticism of the former steel king's views on the tariff. Mr. Carnegie took a seat with the evident purpose of listening to Mr. Crozier, but the latter had not proceeded far when Mr. Carnegie arose and said that he had been before the committee all day and that it was pretty tiresome. He begged to be excused but said that he would like to get a copy of Mr. Crozier's remarks after they are printed.

"I shall read it with pleasure," he said, "and if the gentleman criticizes me, I shall say 'what a pity that man does not know better,' and if he is with me I shall probably say, 'what a wise young man he is.'"

With a few parting words of regret because he could not stay Mr. Carnegie took his departure.

Mr. Crozier addressed his remarks principally to the magazine article recently published over Mr. Carnegie's name, which he said dealt a severe blow to the entire protective system. He said that Mr. Carnegie has kindled wide doubt as to the wisdom, necessity for and value of protection. Mr. Crozier claimed that Mr. Carnegie's proposition to take the duty off of steel would have the effect of leaving the United States Steel corporation forever in undisputed possession of the American field.

One of the most interesting features of Mr. Carnegie's testimony was his account of his remarkable rise in the iron and steel business. He said that his first venture was in the manufacture of castiron bridges for railroads to replace the wooden structures which they then were using. Together with six others he invested \$1,500 as capital for the venture, getting his share of the money by means of a loan from a bank.

Mr. Carnegie said that his capital was increased through the earnings of the company and through the sale of Pennsylvania railroad bonds. He also told of the Edgar Thompson steel works, which he started with several partners at a capitalization of two or three million dollars.

"Was there any additional capital put into it, or did it expand itself by its own earnings, and by the reinforcement of its earnings?" asked Mr. Cockran.

"I think the Edgar Thompson works did," was the reply. "There may have been five or six hundred thousand dollars or something of that kind put in."

"And as the money was earned after the partners took out what was necessary for their support, the surplus was reinvested and the work expanded?"

"Religiously," replied the witness, "the partners were not then millionaires; they had an interest in the firm, but they worked for it."

"But they lacked for nothing?" interrupted Mr. Cockran, "and they were putting back their earnings into the company?"

"Yes, sir."

"After the Edgar Thompson works started the Carnegie iron or steel works was started?" questioned Mr. Cockran.

"The Edgar Thompson started and none of my partners would go into it," replied Mr. Carnegie.

"That is, none of your old partners in the iron business?"

"Yes."

Mr. Carnegie said that the Union iron mills which started originally with the \$7,500 cap-

ital, was later consolidated with the Edgar Thompson steel works, becoming the Carnegie Bros. & Co. Thus Mr. Carnegie brought together his iron and steel business.

Mr. Cockran continued to interrogate Mr. Carnegie closely regarding his early ventures.

"Will you tell what you want to get at and I will tell you?" asked Mr. Carnegie.

"I will tell you frankly," said Mr. Cockran. "I want to get what the actual profits of your companies were, the company which was a great monument to your success. For that purpose I want to find out what cash capital was put into the company and how that has grown."

"Why didn't you tell me that?" replied the giver of libraries, amid much laughter. "Do you know, when you have not thought of a subject for thirty years you can not remember everything. I could lie down in my bed and think for a while and study it up. Practically, Mr. Cockran, one enterprise gave us the capital, of course, in a small degree, for another enterprise, one was merged into another and so on and so on."

"So that practically Mr. Carnegie, when you sold out your interest—well when you withdrew, at the time of the formation or prior to the formation of the United States Steel company, this vast property which had been created by your partners and yourself, represented almost entirely profits earned?" persisted Mr. Cockran.

"Why didn't you ask me that question?"

"I started by citing what Mr. Schwab had said and you said you thought that was misapprehension and you came along finally to this conclusion."

"But Mr. Schwab was wrong," interrupted Mr. Carnegie.

"Yes, Mr. Schwab was wrong then two or three million of dollars?"

"Yes, certainly."

Mr. Cockran then wanted to know what amount was paid Mr. Carnegie when his enterprise was sold.

"When my partners, young partners, received an offer for the mills to convert them into this great company, to consolidate with the others, I sent my cousin out to Pittsburg, who was a partner himself, to ask the young men if they were all in favor of making this change; that if they were, I would acquiesce, because I had made up my mind when I was young that I would never spend my old age grabbing for more dollars."

Mr. Carnegie continued:

"There is a phrase that you know, Mr. Cockran, very well, 'when an old man says he retires, it is for the making of his soul.' Well, I made up my mind that I would retire early, and, as I said, they all wished to sell out. Now, I had nothing whatever to do with the negotiations. They made their bargain and came to me and asked what I would sell for and I said I would sell for the same amount of bonds as they were to receive, 7 per cent preferred stock. You see they were continued in the business and they took 7 per cent stock and I took 5 per cent bonds. Then they got \$1,500 a share more of common stock, and I declined to take any common stock, because I thought it was then water."

"It has turned out wine?" said Mr. Cockran.

"Yes, but I didn't take any."

"You regarded water as not a thing financially to be used as a beverage?"

"Well, I was satisfied with the bonds."

Mr. Carnegie here said he could have got the stock in addition to the bonds.

"You have asked the committee to be careful about going after specific facts on which to fix their tariff legislation," explained Mr. Cockran, "and I thought it important, for the purpose of getting the exact facts in considering tariff legislation, to show how this company has grown from a very small beginning to the stupendous amount of \$1,780,000,000 as the value fixed by Mr. Gary."

"First of all I wanted to find out how much your company is paying, how much it was sold for, to get the growth of that, and then I was in hopes I could find the corresponding growth of the other companies, and get an idea just what the profits of steel might be."

"If you want the United States Steel company to tell you the cost of everything, go to them and get it," responded Mr. Carnegie.

"The only difficulty is that we have the same difficulty with every one else. The moment it touches information exclusively within your own control, you do not care to give it

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